

Senate File 89 - Introduced

SENATE FILE _____
BY DANIELSON

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to providing sales, use, and property tax
2 exemptions for certain data center businesses.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 1825SS 83
5 mg/rj/24

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1 1 Section 1. Section 423.3, subsection 93, Code 2009, is
1 2 amended to read as follows:
1 3 93. a. (1) The sales price from the sale or rental of
1 4 computers and equipment that are necessary for the maintenance
1 5 and operation of a web search portal business or data center
1 6 and property whether directly or indirectly connected to the
1 7 computers, including but not limited to cooling systems,
1 8 cooling towers, and other temperature control infrastructure;
1 9 power infrastructure for transformation, distribution, or
1 10 management of electricity used for the maintenance and
1 11 operation of the web search portal business or data center,
1 12 including but not limited to exterior dedicated business-owned
1 13 substations, back-up power generation systems, battery
1 14 systems, and related infrastructure; and racking systems,
1 15 cabling, and trays, which are necessary for the maintenance
1 16 and operation of the web search portal business or data
1 17 center.

1 18 (2) The sales price of back-up power generation fuel, that
1 19 is purchased by a web search portal business or data center
1 20 for use in the items listed in subparagraph (1).

1 21 (3) The sales price of electricity purchased for use by a
1 22 web search portal business or data center.

1 23 b. For the purpose of claiming this exemption, all of the
1 24 following requirements shall be met:

1 25 (1) The purchaser or renter shall be a web search portal
1 26 business or data center.

1 27 (2) The web search portal business or data center shall
1 28 have a physical location in the state that is used for the
1 29 operations and maintenance of the web search portal business
1 30 or data center.

1 31 (3) (a) The web search portal business shall make a
1 32 minimum investment in an Iowa physical location of two hundred
1 33 million dollars within the first six years of operation in
1 34 Iowa beginning with the date the web search portal business
1 35 initiates site preparation activities. The minimum investment
2 1 includes the initial investment, including land and subsequent
2 2 acquisition of additional adjacent land and subsequent
2 3 investment at the Iowa location.

2 4 (b) The data center shall make a minimum investment in an
2 5 Iowa physical location of one million dollars within the first
2 6 six years of operation in Iowa beginning with the date the
2 7 data center initiates site preparation activities. The
2 8 minimum investment includes the initial investment, including
2 9 land and subsequent acquisition of additional adjacent land
2 10 and subsequent investment at the Iowa location.

2 11 (4) The web search portal business shall purchase, option,
2 12 or lease Iowa land not later than December 31, 2008, for any
2 13 initial investment. However, the December 31, 2008, date
2 14 shall not affect the future purchases of adjacent land and
2 15 additional investment in the initial or adjacent land to
2 16 qualify as part of the minimum investment for purposes of this
2 17 exemption.

2 18 (5) The data center shall purchase, option, or lease Iowa

2 19 land not later than December 31, 2011, for any initial
2 20 investment. However, the December 31, 2011, date shall not
2 21 affect the future purchases of adjacent land and additional
2 22 investment in the initial or adjacent land to qualify as part
2 23 of the minimum investment for purposes of this exemption.

2 24 c. This exemption applies from the date of the initial
2 25 investment in or the initiation of site preparation activities
2 26 for the web search portal facility or data center as described
2 27 in paragraph "b". For purposes of claiming this exemption,
2 28 the requirements may be met by aggregating the various Iowa
2 29 investments and other requirements of the web search portal
2 30 business's affiliates or data center's affiliates. This
2 31 exemption applies to affiliates of the web search portal
2 32 business or data center.

2 33 d. Failure to meet eighty percent of the minimum
2 34 investment amount requirement specified in paragraph "b"
2 35 within the first six years of operation from the date the web
3 1 search portal business or data center initiates site
3 2 preparation activities will result in the web search portal
3 3 business or data center losing the right to claim this ~~web~~
3 4 ~~search portal business~~ exemption and the web search portal
3 5 business or data center shall pay all sales or use tax that
3 6 would have been due on the purchase or rental or use of the
3 7 items listed in this exemption, plus any applicable penalty
3 8 and interest imposed by statute.

3 9 e. For purposes of this subsection:

3 10 (1) "Affiliate" means an entity that directly or
3 11 indirectly controls, is controlled with or by, or is under
3 12 common control with another entity.

3 13 (2) "Control" means any of the following:

3 14 (a) In the case of a United States corporation, the
3 15 ownership, directly or indirectly, of fifty percent or more of
3 16 the voting power to elect directors.

3 17 (b) In the case of a foreign corporation, if the voting
3 18 power to elect the directors is less than fifty percent, the
3 19 maximum amount allowed by applicable law.

3 20 (c) In the case of an entity other than a corporation,
3 21 fifty percent or more ownership interest in the entity, or the
3 22 power to direct the management of the entity.

3 23 (3) "Data center" means a facility, or portion of a
3 24 facility, that is predominately used for the housing and
3 25 operation of computer data processing hardware and associated
3 26 equipment directly in support of such facility or portion of
3 27 the facility.

3 28 ~~(3)~~ (4) "Web search portal business" means an entity whose
3 29 business among other businesses is to provide a search portal
3 30 to organize information; to access, search, and navigate the
3 31 internet, including research and development to support
3 32 capabilities to organize information; or to provide internet
3 33 access, navigation, or search functionalities.

3 34 Sec. 2. Section 427.1, subsection 36, Code 2009, is
3 35 amended to read as follows:

4 1 36. WEB SEARCH AND DATA CENTER PROPERTY.

4 2 a. Property, other than land and buildings and other
4 3 improvements, that is utilized by a web search portal business
4 4 or data center as defined in and meeting the requirements of
4 5 section 423.3, subsection 93, including computers and
4 6 equipment that are necessary for the maintenance and operation
4 7 of a web search portal business or data center and other
4 8 property whether directly or indirectly connected to the
4 9 computers, including but not limited to cooling systems,
4 10 cooling towers, and other temperature control infrastructure;
4 11 power infrastructure for transformation, distribution, or
4 12 management of electricity, including but not limited to
4 13 exterior dedicated business-owned substations, and power
4 14 distribution systems which are not subject to assessment under
4 15 chapter 437A; racking systems, cabling, and trays; and back-up
4 16 power generation systems, battery systems, and related
4 17 infrastructure all of which are necessary for the maintenance
4 18 and operation of the web search portal business or data
4 19 center.

4 20 b. This ~~web search portal business~~ exemption applies
4 21 beginning with the assessment year the investment in or
4 22 construction of the facility utilizing the materials,
4 23 equipment, and systems set forth in paragraph "a" are first
4 24 assessed. For purposes of claiming this ~~web search portal~~
4 25 ~~business~~ exemption, the requirements may be met by aggregating
4 26 the various Iowa investments and other requirements of the web
4 27 search portal business's affiliates or data center's
4 28 affiliates as allowed under section 423.3, subsection 93.

4 29 This exemption applies to affiliates of the web search portal

4 30 business or data center.

4 31 Sec. 3. IMPLEMENTATION. Section 25B.7 does not apply to
4 32 the property tax exemption enacted in this Act.

4 33 EXPLANATION

4 34 This bill provides a sales and use tax exemption for the
4 35 sale or rental of computers and equipment that are necessary
5 1 for the maintenance and operation of a data center and
5 2 property that is directly or indirectly connected to the
5 3 computers; the sale of back-up power generation fuel; and
5 4 electricity used in the operation and maintenance of the data
5 5 center.

5 6 To qualify for the sales and use tax exemption, the
5 7 purchaser or renter must be a data center, the data center
5 8 must have a physical location in the state that is used for
5 9 the operations and maintenance of the data center, the center
5 10 must have a minimum investment within the first six years of
5 11 operation in Iowa of \$1 million, and the center must purchase,
5 12 option, or lease land in the state not later than December 31,
5 13 2011.

5 14 The bill defines a data center as a facility that is
5 15 predominately used for the housing and operation of computer
5 16 data processing hardware and associated equipment directly in
5 17 support of such facility.

5 18 The bill also provides a property tax exemption for
5 19 property utilized by a data center as defined in and meeting
5 20 the qualifications of the provisions for the sales and use tax
5 21 exemption.

5 22 Code section 25B.7 does not apply to the property tax
5 23 exemption in the bill. That Code section requires state
5 24 funding to implement a property tax exemption.

5 25 LSB 1825SS 83

5 26 mg/rj/24